

**RESOLUTION OF BOARD OF TRUSTEES OF NEW HANOVER REGIONAL  
MEDICAL CENTER, A NONPROFIT CORPORATION (“NHRMC”)**

**Authorizing NHRMC Execution of Letter of Intent (“LOI”) among  
NHRMC, New Hanover County and Novant Health  
&  
Recommending and Endorsing such County Authorization by the  
New Hanover County Board of Commissioners**

**WHEREAS**, New Hanover County (the “County”) owns the hospitals, medical facilities and other assets then leased to NHRMC to operate as a health care system governed by the County-appointed NHRMC Board of Trustees (“BOT”); and

**WHEREAS**, certain industry trends, challenges, opportunities and related discussions as to the best course forward for NHRMC have led to the New Hanover County Commissioners (“County Commissioners”) passing a resolution in September of 2019 to move forward in exploring potential future options for NHRMC through a request for proposal process (“RFP”) in accordance with State Law (N.C.G.S § 131E-13), and to the BOT passing a corresponding resolution endorsing such County/NHRMC exploration in that same month; and

**WHEREAS**, following these resolutions, the BOT and County appointed the Partnership Advisory Group (“PAG”)—a Joint Subcommittee of the New Hanover County Board of Commissioners and the BOT—which subcommittee includes: (i) the NHRMC CEO and County Manager “CM”), (ii) five (5) members of the BOT as selected by the NHRMC Board Chair and Vice Chair, with input from the BOT (such PAG members, the “Trustee Members”), (iii) five (5) physicians as selected by the Physician Advisory Committee (“PAC”), a special committee of NHRMC Medical Staff, and agreed to by the Medical Executive Committee of NHRMC’s Medical Staff (such PAG members, the “Physician Members”), and (iv) nine (9) other individuals mutually selected and appointed by the CEO and CM as community representation reflective of the community’s diversity of individuals and interests (such PAG members, the “Community Members”); and

**WHEREAS**, the PAG developed a comprehensive RFP and presented it to the BOT for its further input and approval before its issuance and due date of March 16, 2020, when six health care organizations (“Respondents”) responded to the comprehensive RFP with a variety of proposals, all which have been well vetted by the PAG with analyses and input from financial, legal and strategic advisors to NHRMC and the County (such internal and external advisors, the “PAG Support Team”); and

**WHEREAS**, at its May 7, 2020, meeting the PAG (with PAC input through the PAG’s Physician Members) unanimously narrowed the list of Respondents from six down to three parties for further due diligence and letter of intent discussions per the PAG Charter (such narrowing was preliminary, pending further public input at the Public Hearing on June 22, 2020) and communicated its narrowing recommendation to the BOT and County; and

**WHEREAS**, at its May 11, 2020 meeting, the BOT (i) endorsed (in alphabetical order) the following Respondents for further due diligence and letter of intent (“LOI”) discussions (such narrowing was preliminary, pending further public input at the Public Hearing on June 22, 2020): Atrium Health, Duke Health, and Novant Health; and (ii) authorized NHRMC’s President and CEO, together with the

PAG Support Team, to have direct partnership due diligence and LOI discussions with each of these three organizations as part of this RFP process; and

**WHEREAS**, in accordance with this BOT endorsement and authorization, the PAG and PAG Support Team engaged in further analyses of the Atrium Health, Duke Health and Novant Health proposals and the respective ability of each Respondent to meet the needs of the region and advance healthcare accessibility, quality, affordability, and equity as outlined in each of the key goals and objectives tied to NHRMC's Strategic Plan ("Key Proposal Elements"), including through multiple virtual and actual site visits; and

**WHEREAS**, such Key Proposal Elements' analyses included material due diligence by the PAG's independent Financial Advisor, Ponder & Co., who delivered a report based on its detailed review of the partnership exploration process, as well as an analysis of the financial consideration and affordability specific to each of the Atrium Health, Duke Health and Novant Health proposals; this report ("Ponder Report") concluded that (i) "For each of the proposals provided by the three Respondents, Net Total Financial Consideration is within or exceeds the valuation range," and (ii) based on its analysis of "the financial position and capacity of each of the organizations, all three Respondents are well positioned to fund the upfront cash consideration and capital commitments outlined in their proposals;" and

**WHEREAS**, in accordance with the PAG Charter, the PAG and PAG Support Team also further evaluated the pros and cons associated with each of the proposals, together with the pros and cons of NHRMC continuing status quo, internally restructuring or joint venturing; and

**WHEREAS**, based on such further analyses and evaluations, on July 2, 2020, the PAG (with PAC input through the PAG's Physician Members) unanimously voted in favor of recommending to the BOT and the County Board the following:

1. That each Board approves moving forward with negotiating a Letter of Intent for a proposed full strategic partnership as we, the PAG, believe this step preferable to continuing status quo or pursuing internal restructuring (SystemCo) or another independent or joint venture model at this time; and
2. That each Board approves focusing such Letter of Intent negotiations with Novant Health as the PAG's recommended first choice of partner, with its solid proposal and intended partnership with UNC Health and the University of North Carolina School of Medicine to enhance clinical services and medical education in this region; and

**WHEREAS**, as the PAG completed its analyses and evaluation, the BOT held three Special Called Meetings: one with each of Novant Health's leadership (June 24, 2020), Atrium Health's leadership (June 29, 2020), and Duke Health's leadership (June 30, 2020) as Closed Session meetings with each Respondent (i) providing further details on their respective competing proposals and corresponding draft LOIs, and (ii) answering a number of questions from the BOT; and

**WHEREAS**, based upon the significant work of the BOT, PAG and PAG Support Team to date, including the Ponder Report, the BOT is in agreement with the PAG recommendation of pursuing a full integration with Novant Health, with its solid proposal and intended partnership with UNC Health and the University of North Carolina School of Medicine to enhance clinical services and

medical education in this region, as opposed to remaining status quo, internally restructuring (SystemCo) or joint venturing; and

**WHEREAS**, per the May 11, 2020 direction of the BOT regarding LOI discussions with each of Atrium Health, Duke Health and Novant Health, the PAG Support Team completed LOI negotiations with all three and has presented the confidential summary of key terms and conditions of the proposed negotiated Letter of Intent among NHRMC, New Hanover County and Novant Health (the “Novant Health LOI”); and

**WHEREAS**, the proposed transaction reflected in the Novant Health LOI (“Proposed Transaction”) includes (i) a \$3.1 Billion commitment to fund NHRMC’s routine and strategic capital needs, fully addressing those set forth in NHRMC’s Strategic Master Plan, (ii) a \$50 Million contribution to the NHRMC Foundation, (iii) contribution of assets and operations of Novant Health Brunswick Medical Center, and (iv) a number of other significant Novant Health covenants and commitments that will facilitate delivering greater access to care for patients, advancing higher quality, lowering costs, achieving health equity, and helping NHRMC’s team of employees and providers grow and thrive; and

**WHEREAS**, the Proposed Transaction also includes a purchase price of \$1.5 Billion that, together with other proceeds accruing to the County, will result in significant net dollars available to fund certain initial allocations to NHRMC and the County, as well as a newly established public-benefit foundation to be formed and established by the County (the “Foundation”); and

**WHEREAS**, such initial allocations and Foundation proceeds are further addressed in draft Exhibits to the Novant LOI per the direction of the County Commissioners who have expressed a desire to provide for certain payments to be made, over time, to NHRMC employees to support a beneficial transition from NHRMC’s existing pension plan to Novant Health’s retirement benefits plan and to support staff and provider resiliency and retention, through an allocation of approximately \$300 Million to an NHRMC Transition Stabilization Escrow to fund (i) the corresponding approximate \$200 Million NHRMC Team Investment and Resiliency Fund, and (ii) a \$100 Million liability and wind-down expense escrow, tail insurance requirements, and other pension administrative expenses; and

**WHEREAS**, per the direction of the County Commissioners, such draft Exhibits also address initial allocations to a \$300 Million New Hanover County Revenue Stabilization Fund to help protect local taxpayers from unexpected expenses and downturns, and \$50 Million to a Mental and Behavioral Health Fund to address one of our county’s greatest challenges (focused in significant part on substance abuse and addiction treatment services), leaving an approximate \$1.25 Billion for the Foundation designated to provide financial support in one of the following areas in furtherance of the mission and initiatives of the County: (i) health and social equity, (ii) public primary, secondary and post-secondary education, (iii) community development, and (iv) community safety; and

**WHEREAS**, based upon the BOT’s review and discussion of the Ponder Report and the Novant LOI summary, including the NHRMC initial allocations per the proposed draft Exhibit by County Commissioners, the BOT desires that NHRMC move forward with the execution of the Novant Health LOI, corresponding further due diligence and drafting and negotiation of a definitive agreement with Novant Health (“Definitive Agreement”), which Definitive Agreement would then be posted publicly and subject to review and approval of the BOT and the County Commissioners before it can be executed and implemented by NHRMC and the County, respectively.

**NOW, THEREFORE**, be it hereby resolved by the BOT that it approves NHRMC's President and CEO executing the Novant Health LOI on behalf of NHRMC, substantially in the form summarized and presented to the BOT, based upon the work of the PAC, PAG , PAG Support Team and BOT to date, the Ponder Report, Novant Health's solid proposal and intended partnership with UNC Health and the University of North Carolina School of Medicine to expand the existing medical education and pediatric specialty services in Southeastern North Carolina if NHRMC becomes part of Novant Health; and

**FURTHER RESOLVED**, that the BOT fully appreciates and endorses the County Commissioner initial allocation of proceeds' draft proposal to (i) provide for certain payments to be made, over time, to NHRMC employees to support a beneficial transition from NHRMC's existing pension plan to Novant Health's retirement benefits plan and to support staff and provider resiliency and retention, all through the \$200 Million NHRMC Team Investment and Resiliency Fund, (ii) provide for the \$300 Million New Hanover County Revenue Stabilization Fund to help protect local taxpayers from unexpected expenses and downturns, and (iii) provide \$50 Million to a Mental and Behavioral Health Fund to address one of our county's greatest challenges (focused in significant part on substance abuse and addiction treatment services); and

**FURTHER RESOLVED**, that the BOT fully appreciates and endorses the County Commissioner net proceeds' draft plan to establish the approximate \$1.25 Billion Foundation designated to provide financial support in one of the following areas in furtherance of the mission and initiatives of the County: (i) health and social equity, (ii) public primary, secondary and post-secondary education, (iii) community development, and (iv) community safety; and

**FURTHER RESOLVED**, that the BOT wholly endorses and recommends approval of the Novant Health LOI by New Hanover County, substantially in the form summarized and presented to the BOT, as the next and critical step towards ensuring that both the current and future needs of our growing region are met as we would then be better able to fund and to timely implement advancements in healthcare accessibility, quality, affordability, and equity for all now and into the future; and

**FURTHER RESOLVED**, that NHRMC's President and CEO, together with the PAG Support Team, is authorized to engage in further due diligence, drafting and negotiation with the County and Novant Health of the Definitive Agreement and other agreements, documents and arrangements ancillary thereto, which Definitive Agreement would then be posted publicly and subject to review and approval of each of the BOT and the County Commissioners before it can be executed and implemented by NHRMC and the County, respectively.

The undersigned Chair of New Hanover Regional Medical Center hereby certifies that the foregoing resolution was adopted by a \_\_\_\_\_ vote of the members of the BOT of NHRMC at a duly called meeting thereof held on **July 7, 2020**, at which a quorum was present.

\_\_\_\_\_, Chair